CSR Management

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Dexerials recognizes that promoting CSR management is a company-wide challenge, and we have therefore constructed a system to promote inter-division challenge sharing and activity engagement.

CSR Promotion System

At Dexerials, CSR management is promoted based on the direction of the executive officer supervising CSR promotion division (representative director and senior managing executive officer) with the representative director and president as the final authority.

For the expansion of specific CSR activities, on the basis of the corporate philosophy, corporate vision and CSR Policy, etc., the Company unitedly promotes activities and "Sustainability Working Groups" have been established comprising the Division responsible for each CSR theme. On the basis of important challenges (materialities) specified by the Board of Directors, Sustainability Working Groups set issues by theme, set goals and activities, and confirm their progress. They also enhance activities and promote in-company awareness by taking into consideration an inter-divisional perspective.

Dexerials Group CSR Policy

The Dexerials Group will contribute to the realization of a sustainable society and aims to enhance corporate value by means of open and highly-transparent business management and the tireless development and provision of technology and products toward the realization of the corporate philosophy "Integrity" and the corporate vision "Value Matters."

1 Creating value through business

We are promoting the development of new products and new technology development that responds to various social issues by means of the ultimate demonstration and improvement of the technology and know- how acquired by Dexerials through our business.
Also, with pride in our great technological strength, we are striving to create value that goes beyond what is required of us from society and our customers.

2 Thorough compliance

We are complying with social norms including laws, and we are sincerely and honestly promoting fair business.
Also, we are protecting the Company's assets and values by thoroughly managing the information required for business and corporate management.

3 Respect for human rights

We respect all human rights and we do not discriminate or carry out forced labor or child labor.

4 Creating a lively workplace

We are creating a fair workplace with meaningful work, promoting dialogs with employees, and preparing and supporting environments required for all employees to independently demonstrate their abilities and grow.
Also, we are promoting initiatives for active female participation and expanding opportunities for the active participation of people with disabilities.

5 Environmental conservation

We are conducting the proper management of chemical substances as we endeavor to reduce the environmental burden from our business activities, including global warming countermeasures. Also, we are contributing to solving environmental issues by developing environmentally-conscious products and promoting environmental consciousness in business.

6 Creating safe and healthy workplaces

We conduct activities to promote the vitality and health of employees by preparing environments in which all employees can continue to work safely.

7 Contribution to local communities

We contribute to local communities as a good corporate citizen. We encourage communication with local communities, promoting activities and supporting initiatives related to the environment, sports, cultural activities and so on, mainly in the areas where plants are located.

8 Expanding together with suppliers

We strive to conduct activities that contribute to the fulfillment of our social responsibility in the entire supply and procurement value chain as we share CSR initiatives with all suppliers.

Risk Management

The Risk Management Committee has been established as the agency for Group-wide management of interdepartmental risk. The Committee is composed of 11 subcommittees in specialized fields, which gather and evaluate risk information and take countermeasures centering on risks related to business operations. The risk management officer confirms the major risks in each subcommittee and the progress of appropriate countermeasures at the committee meeting held regularly. If a risk materializes, it is reported to Risk Managers via the information transmission route stipulated by the Company. The Board of Executive Officers then deliberates on the response and reports to the Board of Directors regarding risks that may have a serious impact on the Dexerials Group.

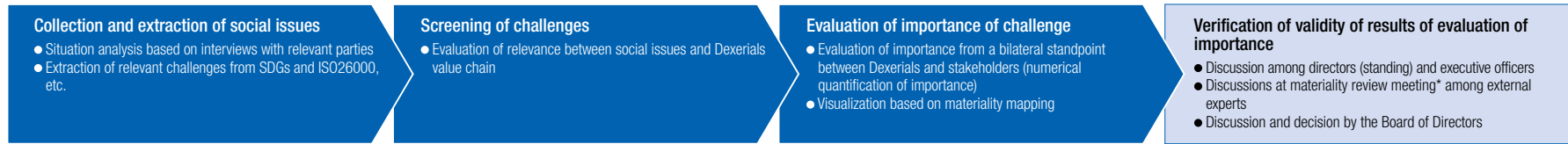**Main risks of the Dexerials Group and appropriate countermeasures**

Risk category		Business risk	Risk	Countermeasure	Relevance to the three basic policies*
Management strategy risk	Macroeconomics	Trends in economic conditions	The possibility of a widespread and long-term worldwide recession due to factors such as economic slowdown of emerging countries, sluggish crude oil prices, instability in the financial sector of European nations, failed attempts or early termination of stimulus measures and easing monetary policies in Japan and other developed countries, slump in consumption resulting from consumption tax hikes in Japan, political instability in countries around the world, global spread of COVID-19, etc.	Make initiatives for production and a sales management structure that can accurately handle a radical change in demand so that adjustments such as promptly cutting fixed costs can be made even if demand falls.	(1) (2)
	Changes in the market and competitive environment	Intensifying competition	If competitors gain a competitive edge over us in research and development, production capacity, capital and human resources, etc., there is a risk our customers will switch over to competitors as suppliers or reduce their orders from us upon their reorganization or change in their strategies.	Strengthen operations such as through development of high value-added products using differentiating technologies.	(2)
		Reliance on display products	● As a large portion of sales relies on display products, there is a risk that our performance will be affected when display manufacturers change their operational or sales strategies. ● Large-scale set manufacturers for smartphones and tablet PCs are limited, and factors such as these manufacturers changing their operational or sales strategies, the timing of a finished product undergoing a model update, and their sales volume will pose a risk in affecting the demand for our products by display manufacturers who are our customers.	Continue initiatives for an increase in the incorporation of our products in categories and products other than displays.	(1) (2)
		Drop in sales price of products	The risk of product sales price dropping further than the range of our cost reductions or an increase in the sales ratio of products with low profitability, resulting from constant pressure from customers on pricing, overproduction in the markets for optical materials and electronic materials, shrinking demand, emergence into the high-performance products market of manufacturers providing low-priced products, and outcomes of negotiations with our customers.	● Create added value and improve product quality. ● Maintain and improve pricing levels. ● Make initiatives toward cost reduction such as by improving the production process and increasing material yield.	(2)
	Innovation	Technological development, etc.	● Risk of our products becoming obsolete unexpectedly as a result of technological innovation and cost competitiveness, new technologies and product development of competitors, and changes in industrial standards and customer needs. ● Risk of a decrease in demand for our products if competitors develop technologies that will replace our mainstay products or if competitors launch products superior to such mainstay products. ● Risk of sales performance fall short of forecasts for products we develop due to changes in the market.	● Develop new technologies and products and find paths for new applications and markets based on the medium-term development strategy, while predicting changes in the market. ● Undergo investments in R&D as well as plant and equipment necessary for reforming the production process.	(1)
Business operational risk	Overseas operations	Business development overseas	Country risks associated with development of business overseas, including political instability; uncertain economic environment; problems related to laws and regulations including rules concerning the environment and safety in the manufacture, import/export, and usage of our products; labor management issues and increase in labor costs; expensive tariffs and strict trade restrictions; unpredictable establishment of and changes in laws and regulations, tax system, government policies or discrepancies of interpretation thereof; unstable infrastructure that can cause suspension or delay in fundamental services such as electricity, transport and communications; fluctuations in the exchange rate; discrepancies in laws, regulations, rules, customary business routine and practical treatment; effects of terrorism, war, infectious diseases including the global spread of COVID-19; occurrence of boycotts, etc.	Consider and implement countermeasures at an early stage by sharing information internally regarding changes in political and economic social conditions as necessary.	(1) (2)
Management base risk	Safety / disaster prevention	Effects from accidents and disasters	● Risk of interruption of business caused by damage to infrastructure such as electricity and gas or widespread damage to the supply chain relating to procurement of materials, distribution, or the customers due to large-scaled natural disasters such as an earthquake, tsunami, and flooding as well as a pandemic of an infectious disease including the global spread of COVID-19. ● Risk of the occurrence of human injury caused by fire or chemical substances in the production process.	Formulate a BCP based on ensuring operational safety and business continuity which were identified as materialities, holding disaster-prevention training regularly, etc.	(3)
Financial risk	Exchange/capital	Fluctuation in exchange rates	Effect on costs and prices of products and services; assets and liabilities in foreign currency denominations, assets and liabilities of affiliated companies overseas in local currency denominations due to fluctuations in the exchange rate.	Hedge risks with forward exchange contracts.	(3)
	Financial reporting / financial stability	Impairment of non-current assets	Risk of effects on the Company's financial position, operating results, and cash flows due to recognition of impairment in the case of a decline in business profitability due to market trends or a decline in prices and the relevant assets are deemed unable to generate sufficient cash flows.	Periodically evaluate collectibility of residual value based on estimated future cash flows from non-current assets.	(3)

*The three basic policies set in the "Challenges for Evolution" from the Mid-term Management Plan
(1) Accelerate growth in new domains　　(2) Qualitatively change businesses in the existing domains　　(3) Strengthen management base

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Specifying Materialities

There are many social issues surrounding Dexerials at this time. Among these, Dexerials specified the issues (materialities) in fiscal 2018 that are considered to be closely related to the Dexerials business and of high importance, and for which systematic engagement is important, using the process for specifying materialities as below.
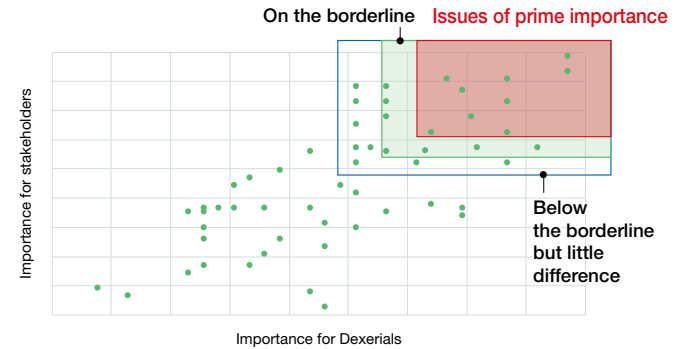
Collection and extraction of social issues
- Situation analysis based on interviews with relevant parties
- Extraction of relevant challenges from SDGs and ISO26000, etc.

Screening of challenges
- Evaluation of relevance between social issues and Dexerials value chain

Evaluation of importance of challenge
- Evaluation of importance from a bilateral standpoint between Dexerials and stakeholders (numerical quantification of importance)
- Visualization based on materiality mapping

Verification of validity of results of evaluation of importance
- Discussion among directors (standing) and executive officers
- Discussions at materiality review meeting* among external experts
- Discussion and decision by the Board of Directors

Materiality evaluation (materiality mapping)
We narrowed down social issues that are considered to be particularly relevant to the Company, which were identified by referring to various guidelines, etc. Then, we evaluated the importance of each issue to the Company and its stakeholders, and created a visualization of the results of the evaluation through two-axis mapping.

Materiality review meeting
In the process of setting materialities, it is important that we evaluate and verify the social issues to be tackled as we objectively consider not only the importance to our Company but also the importance to stakeholders. Dexerials held a materiality review meeting attended by outside directors of Dexerials and external expert Kentaro Noda (Professor of Business Design at Rikkyo University Graduate School) in addition to three internal standing officers. At the materiality review meeting, there was an exchange of opinions from specialist and objective perspectives alongside analyses of the social situation around Dexerials in connection to the social issues in which Dexerials should be engaged in the medium- to long-term from among the selected social issues.

On the borderline   Issues of prime importance

Importance for stakeholders

Below the borderline but little difference

Importance for Dexerials

Challenges Specified as Materialities and SDGs

Theme	Related SDGs	
Creating new value/resolving social issues	**3 Good health and well-being** Ensure healthy lives and promote well-being for all at all ages.	**6 Clean water and sanitation** Ensure availability and sustainable management of water and sanitation for all.
	7 Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all.	**13 Climate action** Take urgent action to combat climate change and its impacts.
Reinforcement of corporate governance and compliance	**12 Responsible consumption, production** Ensure sustainable consumption and production patterns.	**16 Peace, justice and strong institutions** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
Cultivation of diverse human resources and engagement	**4 Quality education** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	**5 Gender equality** Achieve gender equality and empower all women and girls.
	8 Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	
Ensuring operational safety and business continuity	**3 Good health and well-being** Ensure healthy lives and promote well-being for all at all ages.	**8 Decent work and economic growth** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

CSR Targets

Dexerials has set medium-term CSR action targets in order to surely and effectively promote materiality initiatives. We will make a concerted effort to promote CSR activities to achieve KPIs specified for each materiality theme.

CSR targets based on materiality (KPIs)

Materiality theme	KPI	Fiscal 2019 Target	Achievement status	Target for fiscal 2020	Target for fiscal 2021
Creating new value/ resolving social issues	Response to change in information and communication equipment in a high-speed, large-capacity communication society (miniaturization, thinning, higher speed, higher reliability)	Formulation of a design concept for thermal conductive materials and devices for automotive and mobile terminal applications	○	Completion of design of materials and devices for high-frequency applications	Verification of social impact
	Promotion of diffusion of products for automotive applications	Shipments of products for automotive applications ● Anti-reflection films: 247,000 m^2 ● Thermal conductive sheets: 5,469 m^2	✕	Shipments of products for automotive applications ● Anti-reflection films: 336,000 m^2 ● Thermal conductive sheets: 17,099 m^2	Shipments of products for automotive applications ● Anti-reflection films: 290,000 m^2 ● Thermal conductive sheets: 4,400 m^2
	Promotion of diffusion of ACF capable of bonding at low temperatures	Shipments: 15,600 km/year	○	Shipments: 16,600 km/year	Shipments: 17,300 km/year
	Continuation of launch of new lead-free SCP	Launch of new products: 1 model or more	○	Launch of new products: 1 model or more	Launch of new products: 1 model or more
	Contribution to reduction of CO_2 emissions by launching water treatment agents in Japan and overseas	Reduction in CO_2 emissions: 3,000 t-CO_2/year	○	Reduction in CO_2 emissions: 6,000 t-CO_2/ (cumulative total over fiscal 2019-2020)	Reduction in CO_2 emissions: 10,000 t-CO_2/ (cumulative total over fiscal 2019-2021)
	Number of major quality issues	Zero	○	Zero	Zero
	Number of product quality incidents	Zero	○	Zero	Zero
	Reduction of CO_2 emissions, water consumption, waste, etc. from business activities	➡ See "Establishing Medium- to Long-term Environmental Targets" on Page 35 for the details.			
	Supply Chain Management	Survey of certain suppliers on status of their CSR management	○	Survey of certain suppliers on status of their CSR management and request for improvements (guidance)	Survey of certain suppliers on status of their CSR management and request for improvements (guidance)
Reinforcement of corporate governance and compliance	Maintenance and enhancement of the management system	● Further clarification of the nomination and compensation determination process ● Promotion of the officer succession plan (including fostering of successors)	○	● Further clarification of the nomination and compensation determination process ● Promotion of the officer succession plan (including fostering of successors)	
	Prevention of information security incidents	Execution of information security training (new employee training, company-wide training through e-learning)	○	Execution of information security training (new employee training, company-wide training through e-learning)	Execution of information security training (new employee training, company-wide training through e-learning)
	Compliance with laws and regulations and penetration of the code of conduct	Ongoing execution of internal training on Dexerials Group Code of Conduct	○	Ongoing execution of internal training on Dexerials Group Code of Conduct	
Cultivation of diverse human resources and engagement	[Cultivation of engagement (1)] Strengthening of HR development by instilling and operating the revised personnel system	Execution of grade-specific training in order to instill the revised personnel system and facilitate the understanding of roles	○	Instilment of the management by objective system to facilitate employees' growth Implementation of measures for managers	Instilment of evaluation and development to facilitate employees' growth Implementation of measures for managers
	[Cultivation of engagement (2)] Promotion of Dexerials-style work style reform measures	Increase the paid-holiday utilization rate compared with the previous year Identification and organization of issues for 2020 onward	○	Introduction of new measures for Dexerials-style work style reform to respond to the needs of diverse work styles	Introduction of new measures for Dexerials-style work style reform to respond to the needs of diverse work styles
	[Cultivation of engagement (3)] Promotion of health-enhancing measures to create the ideal working environment conducive to health	Planning and implementation of lifestyle disease countermeasures, mental health initiatives and other health-enhancing measures so that employees can work in good health	○	Planning and implementation of lifestyle disease countermeasures, mental health initiatives and other health-enhancing measures so that employees can work in good health	
	[Diverse human resources] Ratio of management's participation in diversity communication training: 100%	Participation ratio of general managers* to be 30% *Managers engaged in management of departments	✕	Participation ratio of general managers to be 65%	Participation ratio of general managers to be 100%
Ensuring operational safety and business continuity	Number of workplace accidents with lost working days	Zero	✕	Zero	Zero
	Enrichment of BCP training	● Execution of company-wide BCP training at least once a year ● Ongoing review of BCP plans through training (promotion of initiatives, considering BCM)	○	● Execution of company-wide BCP training at least once a year ● Ongoing review of BCP plans through training (promotion of initiatives, considering BCM)	● Execution of company-wide BCP training at least once a year ● Ongoing review of BCP plans through training (promotion of initiatives, considering BCM)
	Strengthening of disaster-prevention measures	● Execution of company-wide disaster-prevention training at least once a year ● Ongoing review of disaster-prevention measures, considering linkage with BCP	○	● Execution of company-wide disaster-prevention training at least once a year ● Ongoing review of disaster-prevention measures, considering linkage with BCP	● Execution of company-wide disaster-prevention training at least once a year ● Ongoing review of disaster-prevention measures, considering linkage with BCP